



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 5-407 – Regulations for the Submission of Health Maintenance Organization Quality of Care Performance Information Virginia Department of Health

March 6, 2002

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed regulation implements legislation passed during the 2000 General Assembly that requires all health maintenance organizations (HMO) licensed in Virginia to submit quality of care data to the State Health Commissioner. This data will be published and made available to consumers who make health benefit enrollment decisions. HMOs will be charged a fee, not to exceed \$3,000 per year, to cover the cost of compiling, storing, and making the data available to consumers.

Estimated Economic Impact

The National Committee for Quality Assurance (NCQA) offers accreditation to HMOs that complete a rigorous evaluation of key measures of care and service. NCQA's Health Plan Report Card rates health plans in the five Accreditation categories and then uses a star-rating system to help consumers compare health plans. The purpose of this regulation is to make

similar data on all HMO's licensed in Virginia accessible to the employers and consumers who can then use it to inform their health plan enrollment decisions.

The specific data measures to be collected by VDH are not stated in the regulation and have not yet been finalized by the Board, however, the quality measures are likely to mirror many of those measures evaluated by NCQA. For HMOs currently accredited by NCQA, and already developing and reporting these data measures, the proposed regulation is likely to have little impact aside from the annual fees they will be required to pay. Sixteen of the 21 HMO's licensed in Virginia are currently accredited by NCQA. Compliance costs for HMOs not accredited by NCQA will depend on the quantity and complexity of the data measures required. If the data measures required are extremely burdensome, the proposed regulation could potentially lead to an increase in premiums charged to consumers or businesses.

In addition to providing information that can be used to inform health plan enrollment decisions, the proposed regulation may also generate competition, which could improve the overall quality of care provided by HMOs in Virginia. According to the NCQA, research has shown that health plans that publicly report on their performance tend to improve much more quickly and consistently than other plans.

Businesses and Entities Affected

There are currently 21 HMOs licensed in Virginia that would be affected by this proposed regulation.

Localities Particularly Affected

The proposed regulation will not uniquely affect any particular localities as they apply statewide.

Projected Impact on Employment

The proposed regulation is not expected to have any impact on employment in Virginia.

Effects on the Use and Value of Private Property

The proposed regulation is not expected to have any effects on the use and value of private property in Virginia.